

# Iran Policy and the European Union

Updated October 18, 2017

## Policy Context

On October 13, 2017, President Trump [announced](#) a new U.S. strategy on Iran. He stated that, under the Iran Nuclear Agreement Review Act (INARA; [P.L. 114-17](#)), he would not be certifying that continued Iran sanctions relief is proportionate to the measures taken by Iran to terminate its illicit nuclear program. That and other INARA certification requirements are related to, but separate from, Iran's nuclear obligations under the July 14, 2015, multilateral nuclear agreement (Joint Comprehensive Plan of Action, or JCPOA). The withholding of INARA certification does not automatically end U.S. participation in the JCPOA, which the UK, France, Germany, the United States, Russia, and China negotiated with Iran. But the President linked continued U.S. participation to congressional and allied action to address deficiencies in the JCPOA that he identified in his October 13 statement (see CRS Report R44942, *Options to Cease Implementing the Iran Nuclear Agreement*).

## European Union Reaction

Based on statements by Donald Trump during the 2016 presidential campaign, EU officials have long expressed concern that a Trump Administration might abandon the consensus U.S.-EU policy toward Iran. In February 2017, Trump Administration officials announced they had begun a [“deliberative process”](#) to respond to what officials termed Iran's provocative behavior, including ballistic missile tests and support for armed groups in the Middle East.

President Trump's October 13 announcement raised European fears of a possible U.S. pullout from the JCPOA. EU High Representative Federica Mogherini [reiterated](#) the EU's stance, stating, “It is not a bilateral agreement, it does not belong to any single country and it is not up to any single country to terminate it.... There have been no violations of any of the commitments included in the agreement.... The European Union continues to fully support the Iran nuclear deal, and the full and strict implementation of all its provisions by all parties.”

A [statement](#) released following the October 16, 2017, meeting of EU foreign ministers asserted, “The European Union considers President Trump's decision not to certify Iran's compliance with [JCPOA] as being in the context of an internal U.S. process. The EU encourages the U.S. to maintain its commitment to the JCPOA and to consider the implications for the security of the U.S., its partners and the region before taking further steps.”

## EU-Iran Policy Background

The JCPOA represented the culmination of years-long coordination between several EU countries and the United States. From the 1979 revolution in Iran until 2012, when EU sanctions on Iran became nearly as strict as those of the United States, the United States and European countries often diverged on the issue of Iran. In 2006, as Iran’s nuclear program continued to expand, the United States formally joined an effort by the UK, France, and Germany (“EU-3”) to induce Iran to agree to limit the scope of its nuclear program. The EU-3 and the United States, along with Russia and China, formed the “P5+1” group of negotiating states. Between 2006 and 2010, the EU-3 and the United States successfully pushed for United Nations Security Council approval of four rounds of sanctions on Iran. Starting in 2010, the EU demonstrated a willingness to adopt sanctions that were virtually as comprehensive as those imposed on Iran by the United States—exemplified by a 2012 EU ban on importation of Iranian oil.

On JCPOA “Implementation Day” (January 16, 2016), the EU suspended its economic and financial sanctions related to Iran’s nuclear program, which are to terminate formally on “Transition Day” of the JCPOA (October 18, 2023). In case of unresolvable “[significant non-performance](#)” of Iran’s JCPOA commitments, the EU—in concert with a U.N. Security Council decision—could reimpose all suspended sanctions.

The EU continues to maintain sanctions against Iran in response to what it deems [human rights violations](#), and Iranians designated under sanctions related to [terrorism](#) and [Syria](#) also continue to be listed.

Meanwhile, as evidenced by a stream of European ministers and businesspeople visiting Tehran over the past year, European businesses have sought to reengage Iran following the JCPOA’s implementation. [EU trade with Iran](#) nearly doubled in 2016, and oil imports from Iran have returned to near pre-embargo levels. European companies—particularly those involved in auto and other manufacturing and the energy sector—have announced investments in Iran worth billions of euros, and European banks and credit agencies have begun to facilitate transactions. Iranian banks have rejoined EU-based electronic payments systems, such as SWIFT.

## Outlook

Apparently seeking to head off U.S. action to leave the JCPOA, EU officials have expressed a willingness to work with the Trump Administration to try to engage Iran in new talks on Iranian behavior not covered under the JCPOA, particularly on limits to its ballistic missile program. But EU officials [stress](#) that missiles and other non-nuclear concerns identified by President Trump be addressed outside the JCPOA. Should the Trump Administration or Congress decide to cease implementing the JCPOA, the EU will likely seek to continue implementing it by keeping EU sanctions relief in place.

The U.S. sanctions that have had the most effect on Iran are secondary sanctions that were placed on foreign companies doing business with Iran. Were the U.S. Administration to leave the JCPOA and reimpose such sanctions, doing so would likely heighten transatlantic tensions significantly. EU officials have indicated they will take action to [protect EU companies from reimposed U.S. sanctions](#). The EU might initiate a dispute through the World Trade Organization, seeking to secure exemptions from the U.S. measures. The EU and the United States have clashed before over “extraterritorial” sanctions when the United States adopted such measures in relation to Libya, Iran, and Cuba in 1996. The EU responded with the adoption of [Council Regulation \(EC\) No. 2271/96](#) in an attempt to protect citizens and companies within the EU against the application of sanctions by the United States. In past cases, however, the United States and the EU reached a negotiated compromise before mutual imposition of any penalties.

## Author Information

Derek E. Mix  
Analyst in European Affairs

Kenneth Katzman  
Specialist in Middle Eastern Affairs

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